A decorative graphic consisting of several overlapping squares of varying sizes and positions, some solid black and some white with black outlines, arranged in a stepped pattern on the left side of the slide.

Mueller Development

Status of City's Financial
Obligations

April 20, 2006



Outline of Presentation

- Review of Mueller project economics and financing strategies
- City's current financial obligations
- Preview Council actions scheduled for April 27 and May 18



Project Economics

- Mueller is a 700-acre site with no infrastructure, and existing improvements with no value
- Infrastructure and public facilities costs are substantial
- Costs of project exceed anticipated land sale revenues
- Mueller plan development is not feasible without public financing



Financial Strategies

- Use the lowest cost sources of financing first
- Control amount and timing of public financing
- Minimize risk by:
 - Relying on project revenue to support any project-related public financing
 - Catellus providing interim funding for project costs (puts them at risk)
- Maximize tax revenue over the long term
- Limit developer profits and fees within industry standards



Phasing and Flow of Funds

1. Catellus takes down a phase of land
2. Catellus builds infrastructure using land sale proceeds and public financing to the extent available.
3. Catellus invests its own funds if funding from Step 2 is insufficient
4. Catellus sells property to developers
5. Catellus puts proceeds from land sales or other revenue into project fund to pay for future infrastructure or repay investment from Step 3.



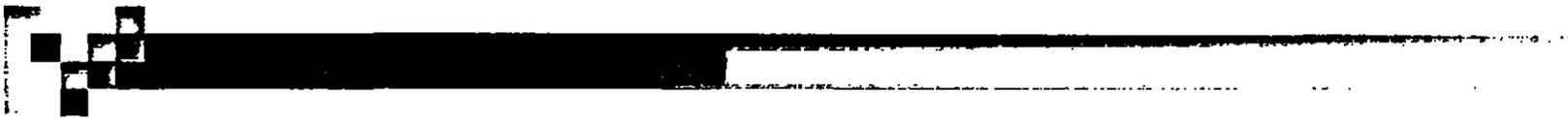
Catellus Investments

■ Financial Investments

- As of year-end 2005 Catellus had invested about \$12 million in infrastructure costs in excess of available project revenues
- About to begin Phases IV and V and complete phases III and XII which will require additional investment of \$30 to \$40 million

■ Performance guarantee

- Willing to provide a performance guarantee that the regional retail will be constructed and leased



City's Current Obligations

- At time of MDA pro forma projected need for about \$45-\$50 million in public financing
- City agreed to issue initial debt supported by sales taxes generated on the property
 - Obligation triggered by filing of application for regional retail property late last summer



How Debt Issuance Will Work

- **Council established the Mueller Local Government Corporation (LGC) in December 2004**
 - Council is Board of that Corporation
 - LGC will be limited use corporation
- **City will execute a 380 economic development agreement with the LGC**
 - Pay LGC annually for annual debt service requirements
 - Use sales tax collections from Mueller project
- **Mueller LGC will issue debt, pay debt service, and reimburse Catellus for project costs as established in MDA**



Amount of Debt

- Objective is to issue as much debt as the project sales tax revenue can support
- Independent analysis by external financial consultants on this project
- Examined average ranges for sales per square foot for types of businesses Catellus plans to lease to
- Calculated projected sales taxes based on this information
- Used 90% of the projected sales taxes as a basis for determining the size of the debt issuance
- City estimates that sales taxes will be sufficient to cover annual debt service on \$12 million in debt



Next Steps

■ **April 27 – Conduct first LGC Meeting**

- Similar to conduct of an AHFC meeting
- Adopt bylaws
- Appoint officers and elect officers
- Accept 380 agreement

■ **April 27 - Council Actions**

- Amend bylaws of the LGC
- Council approval of 380 agreement

■ **May 18**

- Debt Issuance by the LGC/Council